

A Warning from Alberta



Similar Disaster impending in Manitoba

Under existing System of
Land Value Taxation unless
Promptly Dealt with by
Legislation.



The Winnipeg Tax Payers' Association call
attention to the Editorial reprinted below
from the Edmonton Morning Bulletin of
31st October, 1923.

WHOLESALE CONFISCATION

The Alberta official Gazette announces that during the month of December, 43,280 parcels of farm land in Alberta, hitherto in the hands of private owners, will become the property of various city, town and rural municipalities and of the province. The same authority announces that on various dates commencing October 1st and extending to December 31st, 63,986 parcels of town and village property, and 14,751 parcels of city property, hitherto owned by private citizens, will be similarly confiscated.

The parcels of farm lands are in almost all cases 160 acres each. The total area that will be transferred from private to public ownership during the coming month of December will be 6,924,800 acres, or, in round figures, seven million acres. At an average valuation of \$10.00 an acre, the total amounts to 70 million dollars. The area is a million and a half acres more than the total wheat acreage of the province this season.

Estimating the 63,986 parcels or lots of town and village property at \$25.00 each, the total value is over a million and a half. Estimating the 14,751 parcels or lots of city property at an average of \$250.00 each, the total value is over three million.

On the above estimates, the total value of the private property now being, and to be, confiscated before the end of the year, amounts to just under 75 millions of dollars, or five times last year's total provincial revenue.

While the aggregate amount of the investment loss is appalling, it does not convey any adequate idea of the far-reaching effect that such wholesale confiscation must have upon the present condition and future welfare of the province. Speaking only of the farm lands, which are so much the largest part of the whole, each parcel means the investment either of years of time and labor by a homesteader, or cash paid out by an investor. In many cases it means that taxes have been paid year after year in the hope of being able to hold the land, and that at last it has to be given up simply because the owner can't find the money to enable him to hold on any longer. Such a condition can have only one result—a feeling of grievance, that for many years will stand in the way of a renewal of the confidence that is the foundation of endeavor and that alone can bring about a new prosperity.

When this land passes from the private owner to the municipality or the province, what then? It will be for sale. But who will buy? How many purchasers are likely to be found who will buy land for the privilege of paying taxes that the former owner could not keep up, although he already owned the land? Will it be proposed to hand the land over without price, on condition that the taxes be paid? It is quite within the range of probability that the Government and Legislature which has confiscated the property would be quite willing to do that. But it must also be understood that once the principle of property confiscation has been adopted by a Government, as in this case, the number of people who are willing to spend their time, their labor or their money in acquiring landed property, even on condition of only paying taxes, is automatically very greatly reduced—even to the vanishing point.

The independence that comes with ownership of land is the inspiration that puts people on farms and keeps them there. Just in proportion as the security of tenure is decreased, the desire for ownership of land is diminished. The Government that took the land from the

first owner is just as likely to take it from the second one; therefore the part of wisdom (the prospective second owner will say) is to leave it alone. —

Of course, if there is to be government there must be taxation. And taxes must be paid or the Government cannot be carried on. But it is possible for taxation to become so burdensome that taxes cannot be paid. Industry and trade must be allowed to function freely, or they cannot earn the tax money. When taxes are too heavy, industry and trade can't function, and they can't pay. Too burdensome taxation dries up the sources of revenue. That is the condition that has resulted in the seventy-five million dollar confiscation advertised in the Gazette. The owners are giving up their land in rural municipality, city and village, not because they are not willing to pay, but because they have not the means of payment, and their lack of means is largely because of the unwarranted burden of taxation that has been laid upon them and their neighbors.

The effort has been to give everybody everything that he wanted or asked for, pay for it out of borrowed money, and depend on the taxpayer of the future to square the account. The prospective taxpayers have not materialized, but the scale of expenditure has been kept up. The announcement of wholesale confiscation is evidence that the time has come when the taxpayer can no longer pay.

If the scale of expenditure were in process of reduction he might have been encouraged to hold on. But unfortunately it is not. In the rural municipality, the town, the city and the province, the scale of expenditure is being continually increased, and new and heavier taxes are being imposed on the taxpayers who remain, to meet the shortage arising from the default of those who could no longer keep up their payments. This condition is not the fault of the country. It is the fault of the people, amongst whom are the taxpayers themselves. It can be cured readily enough. But it can only be cured by cutting down expenditures, and that again can only be done by the people themselves, through their mandate to their elected representatives on the councils of municipal bodies and in the Legislature of the province. Our financial troubles are of our own making. Only ourselves can apply the remedy.

While the abnormal taxes of recent years are in some measure a relic of the extravagance of the real estate boom of long ago, reinforced by the boom in prices in 1918 to 1921, it is also a fact that there has been an active element in our political life whose deliberate policy was to tax the owner out of his property by making large expenditures. The purpose was not in the direct result of the expenditure, whatever it might be, so much as in the indirect result of breaking down the value of land. "Capital is crime—property is robbery," was and is the rallying cry of these forces. The idea was more mildly expressed as the system of taking from those who had and giving to those who had not. Put in that form, it held a strong appeal on humanitarian grounds to many good people and small property-owners, who in their anxiety to take from the rich speculator who had much and give it to the poor worker, or possibly idler, who had little, failed to notice that they were adding correspondingly to their own burdens and at the same time drying up the sources of investment, without which the wheels of trade and industry cannot turn.

It is right to be generous. But it is necessary to be just before being generous, or generosity is only waste. The first duty of every citizen is to his own household. To sanction wasteful municipal or provincial expenditure that bears the fruit of undue taxation is not

generosity; it is a crime against democracy and against good government. Conditions have reached a point at which the small property owner, as well as the larger, must decide whether his generosity shall be to himself and his family or to the "proletariat," which, as interpreted by Lenin, Trotsky & Co., means those who have nothing, and whose only care in life is to see that no one else has anything.

Assessing taxes is one thing; collecting them is another and much more difficult. Land taxes are the foundation of municipal revenue. One good reason is because the land is always available as a final recourse in the collection of taxes. Under ordinary conditions land has a comparatively fixed value, and taxes are generally low enough that they do not bear any approximation to the value of the land. But conditions in the prairie west are not ordinary. Farm land values have gone down very greatly in the years since the slump in prices of farm products, and town and city property very much more greatly since the boom of 1912. But assessments and expenditures are still in large measure on a boom basis in both city and country. Consequently, in the stupendous number of cases advertised in the Gazette, the land, whether farm, town or city, is not considered by the owners to be worth the taxes—or at any rate they are unable to pay the taxes, and so cease to be owners. Under former and normal conditions the principle of tax collection against real estate was that only in the last resort was the owner deprived of his property, and then only by its passing into the hands of another owner, who would pay up the arrears and in whose hands it would be liable for future taxation. Under that system the amount of taxable land within a municipality remained the same, although the ownership might change. If, under any circumstances, the land was not worth the taxes, it still remained available for taxation, and as soon as it was worth it, either the old or the new owner paid up. The municipal authority had no interest in depriving the owner of his land, and it was not acquired by the town, city or municipality. As long as the land was not worth the taxes assessed against it, it remained with the owner. This was in some degree a protection against undue assessment. If the taxes were too high in comparison to the value of the land, they could not be collected.

An entirely new principle regarding tax collection was introduced by the Tax Recovery Act passed by the Alberta Legislature in the session of 1922, with amendments made in 1923. The purpose of the Act is to take the land of the delinquent taxpayer from him as expeditiously as possible and vest it in the municipal, civic or provincial government. Taxes are in arrears if they are unpaid on the 31st of December of the year in which they were imposed, or if the date fixed for payment was after December 31st, then immediately upon that date. Section 3 of the Act declares that land on which, on August 14th of each year, the taxes imposed during the previous year were then in arrears, becomes the property of the municipality. A caveat is filed against the land on August 14th, but title is not issued for one year. If the arrears of taxes have not been paid within the year from the filing of the caveat, a certificate of title is issued to the municipality by the registrar. This certificate is declared by Section 13 to give the municipality an estate in fee simple, free from all encumbrances save those arising from claims of the Crown arising from seed grain and relief liens, or in some other manner. The procedure is simple and effective as a means of confiscating private property, but its effectiveness and simplicity add immeasurably to the difficulties of the present financial situation.

It will be observed that not only is the right of the owner of the land absolutely wiped out by the transfer given, but all other claims

as well, except those of the Crown. A great deal of private money has been advanced on the security of both farm land and city property in the west. There was a time when farm lands in the West were considered gilt-edged security. And so they were. Then money for development and improvement was plentiful. It is not so today. Because money for investment is scarce and shy is one great reason why times are hard, and why they do not let up even with a splendid crop going through the threshing machines.

Money is lent on securities of various kinds. But behind and above all forms of security must be honest intent on the part of the debtor and as well on the part of the Government authorities upon whose administration the creditor must depend for the protection of his rights. The investor who now lends his money on the security of farm land or town or city property in Alberta can only look to the tangible value of his security and the honesty of his debtor.

In the light of the summary procedure and inadequate notices provided for in Chapter 25 of the Statutes of 1922 and amendments of 1923 the only conclusion that an investor can draw is that, so far as the Legislature and Government of Alberta are concerned, his money is not wanted. The only notice given before a caveat is filed is a newspaper advertisement stating in general terms that if arrears of taxes within the municipality are not paid before June 1st, proceedings to secure title by the municipality will be taken. That conveys no information to the lender, as it does not let him know whether the taxes on the land in which he is interested are in arrears or not. The only opportunity he is given to know the tax situation of the property upon which he has advanced money is by an advertisement in one issue of the Alberta Gazette, in which a list of lands under caveat and subject to final transfer is published some time between March and June. There is also one newspaper advertisement in general terms stating that a list of lands subject to final forfeit may be seen in the treasurer's office.

The registry offices contain a complete record of all land loans. There could be no difficulty in letting the man who has put his money into land by way of loan know directly the proceedings before his rights are taken from him. Nothing of the kind is done, and it is safe to say that hundreds, if not thousands, of investors will lose their money through the 75 million dollars' worth of confiscations now in progress. How that will affect the supply of money for Alberta development in the future does not need a prophet to foretell. Or, again, how that will affect the general prosperity of the province. Investors by the thousand are putting their money into Victory Bonds at five per cent., instead of into land mortgages at seven, eight or nine per cent., because of the difference in the security. When the operation of the Alberta Tax Recovery Act has arrived at December 31st next, there will be another drop in Alberta farm land securities and another rise in Victory Bonds.

At one time the words "first mortgage" meant what they said. The only exception was the ordinary municipal and school taxes, which were not burdensome in amount, and of which the lender was duly notified from time to time. It was then no part of the policy of the authorities to confiscate the property. During the succeeding years precedence over the lenders' rights has been given to nine other claims, so that, instead of a "first mortgage" being at worst a second security, it has become the eleventh in the list of claims that may be made against the property, the preceding ten of which are collected by the

Governmental machinery of taxation! A feature of the case that tells heavily against the individual investor is that some of these claims arise out of conditions that could not possibly have been foreseen, and which are large enough to altogether wipe out his equity.

The claims which take precedence over a first mortgage are:

1. Municipal and school taxes.
2. Dominion seed grain advances.
3. Lien on crop for provincial and municipal seed grain advances.
4. Half district tax, the amount of which varies widely from year to year.
5. Hospital district tax.
6. Hospital aid-tax, under which the claim of the district hospital for treatment of members of the family are registered against the land and collected at the rate of \$200 a year.
7. Wild land tax, in case the property is abandoned and falls into disuse.
8. Tax for destroying weeds on abandoned land which may amount to \$200 a year.
9. Lien on crop by co-operative loan association for money advanced.
10. In case of operation of a coal mine, a lien may be taken against all the owner's land under the Workmen's Compensation Act.

That such wholesale disregard of the lenders' right should reach its climax in the confiscation by summary procedure of the property in which his money was invested, can scarcely be a matter of surprise. Neither can it be a matter of surprise if lenders seek other fields of investment.

A great deal of money has been advanced on Alberta farm lands by outside loan companies. These companies, by employing large clerical staffs, are in a position to follow the intricacies and sudden turns of the Alberta laws regarding taxation and tax collection. But it costs them money that was not provided for when the loan was made; and even they may be tripped up from time to time and lose out altogether. They have only one line of reply to make to such legislation and administration, and that is: Restrict their loans, reduce the percentage of valuation, or retire altogether from the province. In either case the province suffers, and the man who suffers most is the man who needs money with which to improve his farm or push his business. What is the use of talking of a government policy of farm loans or agricultural credits when such drastic and unjustifiable means are being taken to drive out of the province those who are providing private capital for investment in it?

Governments and Legislatures do not make prosperity, but they can do a great deal to prevent it. A spectator standing beside a threshing machine does not make it run. But he can stop it at any moment by dropping a stone into the cylinder; just as a Government can stop prosperity and progress by malicious legislation or administration.

Comments on the above article are invited, to be sent to the Secretary, Winnipeg Taxpayers' Association, (note new address) 607 Great West Permanent Bldg., 356 Main St., Winnipeg.
10th December, 1923.

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